

CORRECTING THE GENERAL ACCOUNT OF THE TREASURER OF THE UNITED STATES.

JANUARY 15, 1921.—Committed to the Committee of the Whole House and ordered to be printed.

Mr. EDMONDS, from the Committee on Claims, submitted the following

REPORT.

[To accompany H. R. 15685.]

The Committee on Claims, to whom was referred the bill (H. R. 15685) to permit the correction of the general account of the Treasurer of the United States, having considered the same, report thereon with a recommendation that it do pass.

This is a bill to permit the correction of the general account of the Treasurer of the United States by reason of unavailable funds occurring through the payment of forged checks and warrants so cleverly drawn as to escape detection, and for losses of money caused by the great inflation of the currency without sufficient employees to receive and count the money when it came to the Treasury for redemption. The money in circulation doubled and made it necessary to store it in the big silver vaults in the subbasement of the Treasury Department. When additional employees were provided for by Congress, the congestion was such that the only space available was in the subbasement, which had been used for a storeroom and which has great pillars obstructing the view of supervisor, and furnished with open-topped desks. Roll-top desks were asked for, but could not be furnished. This is a part of the National Redemption Agency to which all the reserve notes, all the reserve bank notes, and all the national-bank notes come for redemption and of which there was on January 1, 1921, \$4,293,745,829 in circulation.

Under the most unfavorable conditions there was a loss of \$5,000 in the subdivision in the subbasement, and again a loss of \$7,400 in the same division, making it necessary to cancel all money in the National Bank Agency before it is counted.

The whole amount from forged checks, lost checks, and lost money, and covering a period of nearly eight years, is \$29,332.81, upon which there has been recovered the sum of \$2,351.84, an additional sum of \$300, balances in banks attached amounting to \$3,000, and lost checks

totaling \$1,353.87 which have been paid and canceled and are not a loss. There has been collected, therefore, a sum which, together with lost checks, amounts to \$7,005.71, which is not a loss, but which is included so as to have the books of the Treasury Department corrected. The real loss to the Government is \$22,327.10.

Congress has always relieved the Treasurer for such losses, there being 20 laws, some of them for many times larger amounts without the handicaps of congestion, inflation, and the great amount of work occasioned by war.

Attached hereto and made a part of this report is House Document No. 756, Sixty-sixth Congress, second session, and letter addressed to the Speaker of the House of Representatives, dated January 5, 1921; also letter from Hon. John Burke, under date of January 10, 1921, addressed to the chairman of the Committee on Claims, all of which explain more in detail the facts in the case.

[House Document No. 756, Sixty-sixth Congress, Second Session.]

TREASURY DEPARTMENT,
Washington, May 5, 1920.

SIR: I have the honor to transmit herewith a communication of February 25, 1920, from the Treasurer of the United States, relating to certain items of public moneys, aggregating \$11,500.61, that have been lost, without fault or negligence on the part of the Treasurer, and suggesting that the matter be submitted to the Congress with recommendation for the enactment of such legislation as will permit the proper accounting officers of the Treasury Department to examine and state an account, crediting the general account of the Treasurer of the United States with the amount of said unavailable items.

The items are given in detail in the Treasurer's communication, and from a consideration of them and the manner of their occurrence it seems evident the losses were without fault or negligence on the part of the Treasurer, and I therefore recommend that the proper accounting officers be authorized to credit the general account of the Treasurer of the United States with the said amount of \$11,500.61.

Attention is called to the instances cited in the Treasurer's communication wherein the Congress has in the past granted relief by authorizing credits in the accounts of the Treasurer and Assistant Treasurers of the United States, and more particularly to the provision in the deficiency appropriation act of March 4, 1911 (36 Stat., 1291), as appropriate to the present case, and I recommend the enactment of substantially the same provision, as follows:

"The proper accounting officers of the Treasury Department are authorized and directed to examine and state an account of the items of unavailable funds, as set forth in House Document numbered —, Sixty-sixth Congress, second session, and to credit the general account of the Treasurer of the United States with the amount thereof: *Provided*, That the credit herein authorized shall be made in such manner as to debit the individual or depositary chargeable therewith upon the books of the Treasury Department: *Provided further*, That upon the recovery or payment of an part of said unavailable funds the same shall be deposited in the Treasury in such manner as to debit the Treasurer of the United States in his general account and to credit the individual or depositary charged therewith upon the books of the Treasury Department."

Respectfully,

D. F. HOUSTON,
Secretary.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

TREASURY DEPARTMENT,
Washington, February 25, 1920.

THE SECRETARY OF THE TREASURY.

MY DEAR MR. SECRETARY: I have the honor to invite your attention to the items of unavailable funds carried in the general account of the Treasurer of the United States, amounting to \$11,500.61, which represent sums paid on certain forged and raised checks

of disbursing officers drawn on the Treasurer of the United States and payments on forged indorsements of certain other checks properly issued by disbursing officers, also losses occurring in the Cash Room and Redemption Division; the moneys so paid or lost in the manner indicated have gone from the control of the Treasurer of the United States through no negligence or fault on the part of the Treasurer, and it is obvious that he can not ask for and obtain credit therefor upon the books of the Treasury Department.

I respectfully request that you recommend to the Congress the enactment of such legislation as will permit the proper accounting officers of the Treasury Department to examine and state an account crediting the general account of the Treasurer of the United States with the amount of said unavailable items.

There is presented herewith a statement showing in detail the facts as to each item included in said total sum of \$11,500.61, as follows:

Forged and raised checks paid.

Forged check paid by Chase National Bank, New York, N. Y., a Government depositary	\$2,095.47
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In the transcript of the Chase National Bank of New York City for Dec. 16, 1914, was a check, No. 444, dated Dec. 15, 1914, bearing the purported signature of E. V. Sumner, second lieutenant, Second Cavalry, A. Q. M., symbol No. 21739. As soon as the check was discovered to be a forgery reclamation was made of the Chase National Bank, which bank refused to acknowledge liability and refund the amount, and suit was brought, with the approval of the Secretary of the Treasury, against the bank, and though the whole check was a forgery the District Federal Court and the Circuit Court of Appeals held that because the forger made the check payable to himself his indorsement on the check is not a forgery, and therefore held that the bank was not liable, the indorsement not being forged. This case is now on appeal to the Supreme Court of the United States. The amount of the check was \$3,571.47, and the money recovered from the forger reduced the loss to \$2,095.47. If the Supreme Court should reverse the District and Circuit Court of Appeals there would be no loss, but it would seem that the Treasurer should be relieved, and in case there is a recovery from the Chase National Bank the amount collected would be paid into the United States Treasury as a receipt. John A. Howard, the individual who perpetrated the forgery, was apprehended by the Secret Service in Manitoba, Canada, and was returned to Burlington, Vt., for trial and was sentenced to five years in the Atlanta Penitentiary.

Forged check cashed by forger at Lloyd's Bank, London, England.....	402.00
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The history of the transaction is as follows:

On November 2, 1918, there was paid through the Treasurer's office check No. 369, dated Oct. 1, 1918, for \$402, drawn on the Treasurer of the United States and bearing the forged signature of Bent T. Hyberg, assistant paymaster, U. S. N. R. F., symbol No. 52626, who was a Navy disbursing officer stationed at London, England.

The check is the standard form, printed for the Navy Pay Corps for the use of the disbursing officer whose account is designated by numerical symbol 52626, and was forwarded to this office by the Assistant Treasurer at New York, with his transcript of account for Oct. 30, 1918, in which the amount was carried as a charge in the account of the Treasurer of the United States. This transcript was cleared in the Accounting Division under date of Nov. 2, 1918, and the check was passed as genuine and charged in the account of Bent T. Hyberg, assistant paymaster, U. S. N. R. F.

The fact that the signature on the check was a forgery was not known in this office until Feb. 15, 1919, on which date the amount was charged in the account of the Assistant Treasurer at New York and a photostat copy of the check was forwarded to his office for his use in securing refund from the prior indorser.

The check was cashed at Lloyd's Bank, London, England, and was handled by another London bank before going through the New York Clearing House to the Subtreasury at New York.

On account of the age of the check at the time it was discovered to be a forgery the Assistant Treasurer at New York was unable to secure

refund from the prior indorser and consequently credit for the amount can not be taken in the Treasurer's account.

Checks stolen from outgoing office mail of disbursing officer, raised in amounts and cashed on forged indorsements..... \$5,027.68

Some time during the month of December, 1918, one Edward Eric Verrill, an officer in the Army, stole checks after the same had been put in the outgoing mail box of Disbursing Officer James E. Young, Q. M. C., symbol No. 20258, and after getting cashiers in different banks to "O. K." the checks he raised them and then cashed them until he received approximately \$65,000. These checks, of course, came into the Treasurer's Accounting Division and reclamation was made upon the banks and all of the banks involved recognized their liability and refunded the amounts paid on the checks excepting the Guaranty Trust Co. of New York, which refused to pay. In this case Verrill was arrested and the Government has an attachment on a new expensive automobile and other property which is said to be of considerable more value than the claim against the Guaranty Trust Co.

The amount of the checks, No. 50041, dated Dec. 12, 1918, for \$95.44, and No. 50047, dated Dec. 12, 1918, for \$4,932.24, which were cashed by the Guaranty Trust Co. and for which they refused to settle, is \$5,027.68. These checks were made out before they were put in the mail box, and hence the indorsements are forgeries, as well as the amounts to which the checks were raised.

Checks drawn by Maj. E. A. Coleman and paid by the cash room of the United States Treasurer's office on forged indorsements..... 1,989.16

During the winter of 1918-19 a young soldier in the service, and a trusted messenger of Disbursing Officer Maj. E. A. Coleman, came to the Treasurer's office very frequently to make deposits of money for Maj. Coleman and to cash checks for him, a practice which very generally prevailed among disbursing officers. He became well known at the cash room in the office and was trusted by Maj. Coleman with large sums of money, and so well known in the cash room that he was trusted there. Later he was discharged, but notice of his discharge was not given to the cash room, so when he continued to come after his discharge with checks to cash the tellers, believing of course, that he was still in the service, cashed his checks. The amount of his default was \$1,989.16, covering the following-described checks:

Under date of Apr. 28, 1919, there was presented for payment to the cash division of this office check No. 33721, issued Apr. 26, 1919, by E. A. Coleman, Signal Corps, U. S. Army, symbol No. 25501, for \$735, in favor of J. L. Kesner, which check bears the purported indorsement of the payee.....	\$735.00
There was also presented for payment, under date of May 20, 1919, check No. 36099, issued May 14, 1919, by E. A. Coleman, Signal Corps, U. S. A., symbol No. 25501, in favor of John Mason Little and Miah G. Kenny and Amos R. Little, for \$1,029.16, which check bears the purported indorsements of the payees	1,029.16
Under the same date check No. 13772, issued May 16, 1919, by E. A. Coleman, Signal Corps, U. S. A., under symbol No. 25122, in favor of W. H. Dewey, for \$225, which check bears the purported indorsement of the payee.....	225.00
	<hr/> 1,989.16

After an investigation made by the Secret Service Division of the department it was determined that the indorsements of the payees' names, also the indorsement of E. A. Coleman on the above checks, were forged by one Eugene C. Neville and were all presented to the cash division of this department by Henry C. Barnes, jr., to whom payment was made.

Under date of July 1, 1919, the matter of forged indorsement was called to the attention of the Accounting Division of the Treasurer's office and steps were immediately taken to have the checks photographed for the use of the Secret Service Division, who immediately apprehended Henry C. Barnes, jr., and Eugene C. Neville and placed them in custody. It is understood that they have been indicted by

the grand jury for the offense of forging and uttering Government checks.

Inasmuch as the checks were presented for payment by the supposed and accredited employee of the office of the drawer, payment was made without question. In addition to the fact that he was an accredited employee of the drawer, there was prepared and brought to the cash room a change slip which would indicate that the money was to be used for pay-roll purposes and would assist in misleading the paying teller who made payment on these checks. Further, the forged indorsement of Maj. Coleman's name, as it appears on the reverse side of the checks, was so cleverly done as to confuse Maj. Coleman himself when the matter was brought to his attention and the original checks presented for his inspection. He did not immediately repudiate his purported signature and did so repudiate only after Barnes and Neville had been apprehended and arrested.

Checks drawn by various disbursing officers and paid by the cash room of the United States Treasurer's office on forged indorsements.....	\$486.30
These payments, aggregating \$486.30, were made by the cash division upon forged indorsements of the payees' names. The following is a description of each check:	
Check No. 131801, issued by G. C. Barnhardt, major, Q. M. C., U. S. A., July 12, 1917, for \$186.65, in favor of Merritt Miller and cashed by cash division Sept. 12, 1917.....	\$186.65
Check No. 79037, issued by J. L. Summers, disbursing clerk, Aug. 15, 1918, for \$71.67 in favor of Edward F. Voris and cashed by the cash division Aug. 18, 1918.....	71.67
Check No. 577806, issued by A. Zappone, disbursing clerk, Aug. 14, 1919, symbol No. 70001, for \$37.50, in favor of James R. Russell and cashed by the cash division Aug. 16, 1919.....	37.50
Check No. 12848, issued by W. I. Adams, symbol No. 92003, for \$84.07, in favor of M. M. B. Lyon, dated Apr. 21, 1919, and cashed by the cash division Apr. 23, 1919.....	84.07
Check No. 43175, issued Apr. 15, 1919, by A. H. Williams, symbol No. 20052, for \$46.41, in favor of Jose M. Calvo and cashed by the cash division Apr. 17, 1919.....	46.41
Check No. 2153251, issued Mar. 27, 1919, by C. E. Gray, symbol No. 26156, for \$60, in favor of Raymond A. Connelly and cashed by the cash division Mar. 28, 1919.....	60.00
	<hr/> 486.30

All of the above-described checks were cashed on forged indorsements of the payees' names and all usual and necessary precautions were taken to secure proper identification of the presentors of these checks, but in some instances the identification which ordinarily is acceptable was forged and the tellers had no means of determining this feature, and therefore neither negligence or fault can be charged to the tellers. Investigations made by the Secret Service Division have in part been able to identify the individuals who forged and uttered these checks and have placed the responsibility on the individuals, who are now in custody.

Shortage found in checking up transactions of the Cash Division for Sept. 30, 1919.....	500.00
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On Sept. 30, 1919, on checking up and balancing the transactions of the Cash Division it developed that J. W. Wolcott, acting assistant paying teller, was short \$500 in his settlement at the close of the day's business.

A careful examination of all checks paid on this day showed that the shortage evidently resulted from an overpayment and could have occurred only in one of four payments where the amounts paid were more than \$500. One of these payments was made to a messenger in the War Risk Insurance Bureau, and a careful examination of the change slip prepared by this messenger was so convincing that the overpayment was made to him that a Secret Service agent was immediately placed on the case.

The messenger vehemently denied he had been overpaid and there was not sufficient evidence to authorize an arrest. Mr. Wolcott, however, firmly believes the error was made with this messenger.

Mr. Wolcott is a small-salaried man, very efficient, and in the unusual demand on this office growing out of the war times he was drafted as an assistant teller. This loss, I am convinced, was without negligence or fault on his part, and it would be a great hardship on him were he compelled to pay same, as to do so would take from him a large part of his annual salary.

Shortage in Redemption Division, Office of the Treasurer of the United States, arising through loss of a package containing \$1,000 in currency forwarded for redemption by the First National Bank of Bethlehem, Pa. \$1,000. 00

On Feb. 12, 1919, there was received in the Redemption Division a package of currency marked to contain \$1,000 from the First National Bank of Bethlehem, Pa.

This package reached the Treasurer's office by registered mail and was delivered to the Redemption Division by a representative of the chief clerk and duly receipted for. It was properly recorded and given serial case No. 46624.

On that date this division had on hand 3,344 packages of uncounted currency, due to the fact that for three months previous the receipts of unfit currency had been largely in excess of the ability of our counting force to handle.

This accumulation had become so great that the vault in this division had been filled and the overflow of necessity was deposited in a compartment of the silver vault in the sub-basement.

On the date above mentioned the package referred to was placed in a money wagon with others of that date. This wagon was locked and under escort of the assistant chief of the division was conveyed to the vault in the sub-basement. There the packages were removed from the wagon and placed in the vault. They remained there until Feb. 28, when they were removed to be counted. It was then found that one package was missing. Investigation showed that the missing package was the one above referred to.

A most careful search was made but without result. The matter was at once reported to the heads of the office and the Secret Service Division.

It is confidently believed that had not conditions necessitated the removal of this currency from the Redemption Division to the vault in the sub-basement the loss would not have occurred, as it was impossible there to give it the same protection and supervision as is exercised over currency in the Redemption Division vault.

It is noted that had the counting force of this division been increased as requested when the accumulation became serious the work would have been kept current and the loss would not have occurred.

The First National Bank of Bethlehem, Pa., was reimbursed and the amount of the loss is being carried as a deficit in the cash of the Redemption Division.

Total of above unavailable funds..... 11, 500. 61

Congress has in a number of instances granted similar relief to the Treasurer and Assistant Treasurers of the United States, the more recent cases being the following:

In 1906 there was a loss of \$61,500 in the subtreasury at St. Louis, Mo.; in 1907, a loss of \$173,000 in the subtreasury at Chicago, Ill.; in 1907, a loss of \$3,000 in the subtreasury at Boston, Mass., and in January, 1911, when Lee McClung was Treasurer, there was a loss in the Redemption Division of \$1,000.40.

The act relieving the Treasurer from the loss in the subtreasury at Chicago may be found on page 1464 of volume 36, part 2, United States Statutes at Large. The act relieving the assistant treasurer at Boston is on page 341, volume 36, part 2, United States Statutes at Large, and the act relieving Treasurer McClung for the \$1,000.40 loss in the Redemption Division is found on page 1291, volume 36, part 1, United States Statutes at Large. The relief granted the Treasurer for the loss at St. Louis is on page 1866, volume 36, part 2, United States Statutes at Large.

The deficiency appropriation act of March 4, 1911 (36 Stat., 1291), authorized the accounting officers to credit the general account of the Treasurer of the United States with several items of unavailable funds reported by him in House Document No. 271,

Sixty-first Congress, second session, and the Congress may be asked to grant similar authority in the general deficiency appropriation act which usually is passed toward the close of each session of Congress.

To this end I request that you recommend for inclusion in the next or general deficiency bill substantially the same provision granting relief to the Treasurer found in the act of March 4, 1911, as follows:

"The proper accounting officers of the Treasury Department are authorized and directed to examine and state an account of the items of unavailable funds, as set forth in House Document Numbered —, Sixty-sixth Congress, second session, and to credit the general account of the Treasurer of the United States with the amount thereof: *Provided*, That the credit herein authorized shall be made in such manner as to debit the individual or depository chargeable therewith upon the books of the Treasury Department: *Provided further*, That upon the recovery, or payment of any part of said unavailable funds the same shall be deposited in the Treasury in such manner as to debit the Treasurer of the United States in his general account and to credit the individual or depository charged therewith upon the books of the Treasury Department. (36 Stat., 1291.)"

While the Treasurer is liable under his bond for the safe-keeping of the public money in his custody, it is obvious that the transactions of his office are so extensive that he can not be personally cognizant of each check presented to his office for payment or of the evidence presented to establish the right of a presenter to receive payment thereon. The paying tellers in such matters must act for him, and if occasionally they fail to detect forged checks or forged indorsements such failure can not be ascribed to negligence but is the accepted experience common to all men discharging similar duties in banking institutions. The banks, however, carry profit and loss accounts, and such losses are charged off; but the Treasurer, for like losses, has no means of securing an adjustment of his accounts except through the action of Congress.

The bulk of the losses occurred during the war period when the office was overwhelmed with work. The necessities of the war required a great increase in the number of disbursing officers authorized to draw checks on the Treasurer, and the records of the Treasurer's Office show that checks to the number of 75,908,500 were issued by disbursing officers of the Government and paid by the Treasurer of the United States during the period from the beginning of the war, April 6, 1917, to December 31, 1919, inclusive, and the total amount of these checks charged in disbursing officers' accounts during the same period was \$40,276,927,706.

I think it can be fairly said that the amount of the losses we have sustained is small in comparison with the great amount of money disbursed and the enormous number of checks handled.

Very truly, yours,

JOHN BURKE.
Treasurer of the United States.

TREASURY DEPARTMENT,
OFFICE OF TREASURER OF THE UNITED STATES,
Washington, December 16, 1920.

THE SECRETARY OF THE TREASURY,
Washington, D. C.

MY DEAR MR. SECRETARY: With reference to my letter of February 25, 1920, inviting attention to items of unavailable funds carried in the general account of the Treasurer of the United States, amounting to \$11,500.61, which letter was transmitted to the Speaker of the House of Representatives under date of May 5, 1920, and referred to the Committee on Claims and ordered to be printed on May 7, 1920 (H. Doc. No. 756), I have the honor to report additional items of unavailable funds carried in the general account of the Treasurer of the United States, amounting to \$17,832.20, which represent sums paid by the Cash Division of this office upon forged indorsements of the payees of checks drawn by various disbursing officers, paid checks which have been lost in the Accounting Division and can not be charged against the drawers because it is not possible to give a specific description of them, and losses occurring in the National Bank Redemption Agency in the handling of currency forwarded to that division for redemption. The moneys so paid or lost in the manner indicated have gone from the control of the Treasurer of the United States, through no negligence or fault on the part of the Treasurer, and it is obvious that he can not ask for and obtain credit therefor upon the books of the Treasury Department. It is, therefore, respectfully requested that you recommend to Congress the enactment of such

legislation as will direct the proper accounting officers of the Treasury Department to examine and state an account, crediting the general account of the Treasurer of the United States with the amount of said unavailable items. There is presented herewith a statement showing in detail the facts as to each item included in said total sum of \$17,832.20, as follows:

Checks drawn by various disbursing officers and paid by the cashier of the United States Treasurer's Office on forged indorsements.....	\$633. 00
Check No. 2959761, issued by Maj. C. E. Gray, symbol 26156, on Apr. 24, 1919, in favor of Clarence R. Heriford, cashed by the Cash Division on Oct. 31, 1919.....	\$60. 00
<p>On Jan. 28, 1920, payee advised the Zone Finance Office that he had not received his check. After he had examined a photographic copy of the check, he made affidavit, claiming that neither the check nor any part of the proceeds thereof had been received by him. The case was referred to the Secret Service Division of the Treasury Department for investigation, which division ascertained that the check had been mailed to Gainsville, Mo., and had fallen into the hands of some unknown person, who forged and uttered it. The paying teller of the Cash Division, Mr. James Kline, who received and cashed this check, could give no description of the person who obtained the money. Although reclamation of payment could not be made, settlement was effected with the payee under date of June 16, 1920, making a shortage of \$60 in the account of the Treasurer.</p>	
Check No. 3618318, issued by Maj. C. E. Gray, symbol 26156, on Nov. 14, 1919, for \$60, in favor of Pearly Johnson, cashed by Cash Division on Dec. 4, 1919.....	60. 00
<p>After receiving affidavit made by the payee, claiming that neither the check nor any part of its proceeds had been received by him, an investigation was made by the Secret Service Division, which, in a report dated Apr. 8, stated that no information of any kind could be secured to lead to the apprehension of the guilty party, and recommended that further investigation be suspended. There is no doubt, however, that the money was not received by the payee. An adjustment with the claimant was effected on June 16, 1920, causing an additional shortage of \$60 in the account of the Treasurer.</p>	
Check No. 3169047, drawn by Maj. C. E. Gray, symbol 26156, in favor of Thomas A. Forbes, dated Apr. 30, 1919; cashed Sept. 10, 1919, by the Cash Division.....	60. 00
<p>The check was to be mailed to 5326 Sixth Avenue, Brooklyn, N. Y., the home of the payee, but evidently was extracted from the mails by some unknown person before it left the city of Washington. The Secret Service Division has been unable to apprehend the forger, but reported that the check was not received by the proper party. The drawer of the check was authorized on May 20, 1920, to deliver a substitute check to the payee. Inasmuch as reclamation can not be made this case causes a further shortage of \$60 in the account of the Treasurer.</p>	
Check No. 260300, issued by Maj. C. E. Gray, symbol 26156, on Oct. 25, 1919, in favor of David F. Fields; cashed Nov. 6, 1919, by the Cash Division.....	82. 00
<p>Upon receipt of evidence that the payee had not received the money, an investigation was conducted by the Secret Service Division, which found that the paying teller, Mr. Walcott, of the cash division, could not furnish identification of the person to whom the money was paid. A comparison of the indorsement on the check with the handwriting on other papers and checks which have been forged by Cortez A. Rhodes, a messenger (colored) in the employ of the zone finance office, War Department, indicates that this check was also forged and cashed by him. He has been indicted and is now awaiting trial. Maj. Gray was authorized on Dec. 11, 1920, to deliver a substitute check to the payee.</p>	
Check No. 252261, issued by Maj. C. E. Gray, symbol 26156, under date of Oct. 7, 1919, in favor of Clarence John Bates; cashed Oct. 13, 1919, by the cash division.....	166. 50

An affidavit pronouncing the indorsement a forgery was forwarded by the payee on Aug. 11, 1920. The case was investigated by the Secret Service Division, which reported on Sept. 20 that the payee had never been in Washington, where the check was cashed, except when he was en route with troops in 1917 from Atlanta to Pittsburgh, at which time he was not allowed to leave the Union Station. On Dec. 11, 1920, the drawer was authorized to send a substitute check to the payee.

Check No. 251036, issued by Maj. C. E. Gray, symbol 26156, under date of Oct. 4, 1919, in favor of James Lester; cashed Oct. 23, 1919, by the cash division.....\$144.50

On Oct. 31, 1920, the payee submitted affidavits properly executed, and an investigation was made by the Secret Service Division, which reported that the check in question was undoubtedly forged and cashed by Cortez A. Rhodes, who has been indicted by the grand jury on the charge of forging Government checks. Rhodes was a colored messenger employed by the zone finance office and handled a number of bonus checks which were returned to that office "unclaimed." The Secret Service Division has had difficulty in securing witnesses to identify the party apprehended and has not included this check in the indictment against Rhodes. On Dec. 11, 1920, the drawer was authorized to send a substitute check to the payee.

Check No. 3135039, drawn by Maj. C. E. Gray, symbol 26156, under date of Apr. 29, 1919, in favor of William Arthur Dozier; cashed Sept. 26, 1919, by the Cash Division.....60.00

Under date of Oct. 8, 1920, the payee of this check made affidavit that he did not receive the check nor any part of the proceeds thereof and that he did not indorse or authorize the indorsement of his name thereon. The Secret Service Division investigated the case and reported that the check was indorsed by Harold McGhan, who is now serving a sentence for forging and uttering other Government checks which were stolen by him while in the employ of the Zone Finance Office of the War Department. The disbursing officer was authorized on Dec. 11, 1920, to issue a substitute check and deliver it to the payee.

633.00

Net amount charged in suspense account on disbursing officers' ledger for unadjusted differences which have occurred in the preparation of statements of disbursing officers' accounts.....\$1,353.87

Checks missing in the month of May, 1919.....720.00

Upon the preparation of the statement of the account of Maj. Gray for the month of May, 1919, it was found that the total amount of checks in hand was short of the amount charged in Maj. Gray's account in the ledger by \$720. Because of the large number of checks in the account for this month, 767,500, it has not been practicable to rearrange the checks by dates of payment and in each day according to banks from which received, in order to obtain a description of the missing check or checks. The lack of proper description of the checks in the transcripts received from some of the banks would no doubt prevent the identification of the checks, even if this method of finding them were attempted. As the office was paying at this time the bonus checks issued to soldiers by Maj. Gray, it is possible that 12 of these checks, amounting to \$720, were in some manner misplaced or lost.

Check missing in the month of April, 1919.....60.00

An item of \$60 was charged on Apr. 10, 1919, in the account of Maj. Gray, which check subsequently could not be found. It is thought that Maj. Gray's account was improperly charged with the amount of a check issued by C. G. Mayo, who was also drawing \$60 checks in payment of bonus to sailors, but the statement of the account of Commander Mayo agreed with the ledger account, and the question as to whether the check was one issued by Commander Mayo can not be verified.

10 CORRECTING ACCOUNT OF TREASURER OF UNITED STATES.

Check missing in the month of December, 1919..... \$50. 00
 Capt. Bronworth's account was charged with an item of \$50,
 but in the preparation of the monthly statement the check
 could not be found and no description could be obtained.
 Miscellaneous cases of missing checks charged in the suspense ac-
 count..... 523. 87

 This amount represents additional unadjusted differences
 which occurred in the preparation of the statements of dis-
 bursing officers' accounts during the congestion incident to the
 war period, together with an item of \$16.22, which was the net
 shortage on account of similar discrepancies occurring prior to
 August, 1915.

 The majority of the above discrepancies on account of missing checks occurred
 during the period from February, 1918, to June 30, 1919, when there was congestion
 of work in the Accounting Division. The following table illustrates the increase
 during the war period in the work performed in the Accounting Division of the Treas-
 urer's office:

*Aggregate of Treasury warrants and disbursing officers' checks paid and transfers of funds
 made by the Treasurer of the United States.*

From—	Amount.	Number of checks, warrants, etc., paid.
July 1, 1913, to June 30, 1914, estimated.....	\$6, 872, 888, 307. 52	8, 000, 000
July 1, 1914, to June 30, 1915, estimated in part.....	6, 872, 888, 307. 52	8, 020, 584
July 1, 1915, to June 30, 1916, actual.....	6, 912, 402, 671. 74	8, 003, 830
July 1, 1916, to June 30, 1917, actual.....	13, 685, 925, 715. 88	8, 324, 304
July 1, 1917, to June 30, 1918, actual.....	66, 651, 238, 680. 91	17, 851, 011
July 1, 1918, to June 30, 1919, actual.....	90, 362, 459, 775. 97	41, 313, 747

 Because of the sudden increase in work, the Accounting Division was without means
 of securing space, clerks, and equipment necessary to keep current the work of pre-
 paring promptly statements of the accounts of disbursing officers. This resulted in
 a very great accumulation of paid checks. It was necessary to make several moves
 of these checks within the Treasury Building, and it was finally necessary to move
 this section of the Accounting Division from the building to the War Industries Board
 Building. This necessitated a constant transfer of checks, by trucks, through the
 streets. The division was also handicapped because when funds were made available
 to secure help, it was impossible to secure employees who were trained in this class
 of work, with the result that until a force could be properly organized there was
 considerable confusion. Conditions which existed during the congestion, however,
 have been remedied, so that since January, 1920, it has not been necessary to make
 any charges in the suspense account on account of missing checks.

 When checks are received from depositaries for payment and charged in the accounts
 of the drawers, an absolute proof is made of the total amount of such checks and they
 are canceled by perforation with the word "Paid" and the date of payment. This
 precludes any possibility of missing checks being cashed a second time. The balances
 to meet payment of these checks now stand to the credit of disbursing officers who
 drew them and at the end of three fiscal years the amounts of such outstanding checks
 will be covered into the Treasury to the credit of the outstanding liabilities appor-
 portion against which no claims will be made because the payees have received
 payment. Since the Treasurer is unable to determine which checks are missing,
 and which officer issued such checks, he can not claim credit for their payment,
 which leaves a shortage in his accounts. It is obvious, however, that if the accounting
 officers are authorized to allow credit to the Treasurer for these items, the Govern-
 ment will not sustain any loss.

 In this connection, I desire to call attention to the fact that the Division of Securi-
 ties and the Accounting Division of this office, in which divisions there has been the
 greatest congestion on account of transactions due to the war, during the fiscal year
 1920 handled approximately 25 per cent larger volume of work with a 25 per cent
 decrease in clerical force as compared with the fiscal year 1919. This result has been
 accomplished by improvements in methods and by more efficient service on the part
 of the employees, both of which afford greater safety to the securities than was possible
 heretofore.

Loss through defalcation of Louis R. Graf, Oct. 18, 1919..... \$848.33

The said Louis R. Graf was a maker-up in the agency, and on Tuesday, Oct. 21, a shortage of \$1,900 was reported by the Comptroller of the Currency in a package of national-bank notes delivered to his office by the National Bank Redemption Agency on that date, and which package was a part of money made up by said Louis R. Graf on Oct. 18. Graf did not report for duty after Oct. 18. The Secret Service Division was advised of this defalcation on Oct. 21, and Graf was finally arrested, pleaded guilty, and was sentenced to a term in prison. The proceeds of money, clothing, and valuables recovered in connection with this loss amounted to \$1,051.67, thereby reducing the net loss to \$848.33.

Loss of one hundred \$50 Federal reserve notes by theft or accident on Apr. 17, 1920..... 5,000.00

This item represents a loss which occurred in room E, in which is a branch of the National Bank Redemption Agency, where Federal reserve notes are handled exclusively. The missing money was received in a shipment forwarded by the branch Federal reserve bank of Pittsburgh, Apr. 6, 1920, and opened to be counted in room E, Apr. 17, 1920. The evidence in the case indicates that the package in question was stolen from the counter's desk during the luncheon period. While suspicion pointed to a certain person and the matter has been under investigation by the Secret Service, there has not yet been obtained any conclusive evidence to establish the guilt of the person suspected. There is very little possibility of recovery in this case.

Loss by theft from Federal reserve bank notes stored in old silver vault during February, March, and April, 1920..... 1,597.00

This item represents notes pilfered from a vast accumulation of \$1 and \$2 Federal reserve bank notes which were stored in the various compartments of the old silver vault of the Treasurer's office. The amount includes one shortage of \$58 in ones, one of \$110 in ones, one of \$100 in ones, and another of \$1,329 in ones. These thefts were apparently accomplished by working the notes out of the bundles through the iron latticework of which the compartments are constructed. This money was stored in the vault for several months, as there was a vast accumulation at that time, and the losses were not discovered until the money was removed to be assorted and counted. While there was a suspect in this case, no conclusive evidence has been obtained, and there seems to be no possibility of fixing the guilt in this case.

Loss due to shortage in odds on group No. 47, national banks, in the National Bank Redemption Agency, Sept. 14, 1920..... 1,000.00

This item represents a shortage of \$1,000 found by Miss Dove Evans, a prover in the National Bank Redemption Agency, Sept. 14, 1920, in a package of odds from group 47, made up on Sept. 11 by Miss Lucy B. Hudson, a maker-up. This \$1,000 seems to have disappeared while the money was in the custody of Miss Hudson. She proved her money and supposedly had put the amount in a package of odds, as indicated by the marks thereon. The amount marked on the package proved her balance of cash for that day, but when the package was opened by the prover and inventoried it was found to be short \$1,000. It has been absolutely impossible to determine the manner of the disappearance of this money. We have every reason to believe that Miss Hudson is reliable and actually thought that the package contained the amount marked on the label. It could have been a very small, thin package between cardboards and possibly could have been dropped on the floor and lost in waste paper, although a careful search of waste paper is always made.

Loss of a package of Federal reserve bank notes in room D of the National Bank Redemption Agency, Sept. 24, 1920..... 7,400.00

This package was forwarded by the Little Rock branch of the Federal Reserve Bank of St. Louis and delivered to the National Bank Redemption Agency by a representative of the chief clerk of the Treasurer's office Sept. 23, 1920. The package came with other items forwarded by this bank on the same date and was scheduled by a teller in

the agency and sent to room D in the subbasement to be counted. The package was charged out to a counter to be verified. When opened, it was found to contain a number of \$5 notes, and as only \$1 and \$2 notes are handled in that room, the counter reported the nature of the contents to the teller in charge, and the schedule was marked to indicate that the package was to be returned to room 87 for examination and count. The records fail to show that the package was returned to room 87. In fact, there is no record beyond this point, where the package was opened in room D. The shortage was not discovered until Oct. 14, when it was reported that the general account of the Little Rock branch of the Federal Reserve Bank of St. Louis was short the amount in question. Investigation by this office and the Secret Service has failed thus far to establish the whereabouts of this package, and it is doubtful if recovery will be made.

With reference to the losses which have occurred in the National Bank Redemption Agency, amounting to \$15,845.33, I desire to call attention to the increase in the personnel of that division from 215 in 1919 to 480 in 1920. It was necessary to make this increase in force during the period when it was difficult to obtain trained employees and when it was not always possible to ascertain whether they were capable or honest. On account of the congestion in the Treasury Building there was assigned to the National Bank Redemption Agency rooms in the subbasement, which are not suitable for the proper handling of money, since the light and ventilation are poor and large pillars obstruct the view of those who supervise the work. It has been necessary also to use tables which are not provided with roll tops that can be locked by the counters when they find it necessary to leave their work. Suitable desks have been ordered, but on account of conditions due to the war delivery has not been made. Furthermore, the money must be carted back and forth through corridors which are not restricted and are used promiscuously by employees of the department and also for receiving and disposing of storeroom supplies.

When the first of the above losses in the National Bank Redemption Agency occurred on October 18, 1919, my attention was directed to the method employed by one of my predecessors in adjusting losses which had previously occurred in the National Bank Redemption Agency. These losses, amounting to \$15,363, were included as an item of profit and loss in the expenses of the National Bank Redemption Agency, the total of which was assessed proportionately against national banks. The explanation of this item charged as profit and loss appears in Treasurer's report as follows:

"Profit and loss.—The amount charged to this item is that of various packages of money abstracted from the agency, and other smaller losses met with before it was provided with proper rooms, furniture, or other necessary guards against theft or loss. The provision of such guards and the adoption of a rigid system of accountability and inspection have prevented the occurrence of any losses of the kind during the last six months. The losses sustained were an inevitable result of suddenly throwing the redemption and assortment of the bank currency upon the Treasury without allowing time in which to provide the requisite facilities for the work. Every effort has been made to detect and bring to justice the guilty parties. One person has been convicted of theft from the agency, and another is under indictment for a similar offense.

"A full and accurate statement of the facts pertaining to the losses has been spread upon the books of the agency, and is open to the inspection of any person interested."

It was, at first, my intention to follow the same procedure in adjusting the losses which occurred October 18, 1919, and for that reason I did not include this item in my letter of February 25, 1920. Upon further investigation, however, I am convinced that I do not have legal authority to assess this loss against national banks, and am, therefore, now including it in my request for relief.

During the fiscal year 1920, when these losses occurred in the National Bank Redemption Agency, the total value of the money handled therein amounted to \$2,700,-890.637. Of the losses amounting to \$15,845.33 in the National Bank Redemption Agency, \$12,400 occurred while the money was being handled in the subbasement.

In addition to the cases for which Congress has granted relief to the Treasurer and Assistant Treasurers of the United States, which were recited in my letter of February 25, 1920, attention is invited to the item of reimbursement granted to certain employees in the office of the Assistant Treasurer of the United States, New York, in the amount of \$1,157.24, which was included in the "act making appropriations to supply deficiencies in appropriations for the fiscal year ending June 30, 1920, and prior fiscal years, and for other purposes," approved June 5, 1920.

CORRECTING ACCOUNT OF TREASURER OF UNITED STATES. 13

The following is a statement of the acts passed by Congress for the relief of various officers for losses which occurred in their offices through no fault or neglect on their part:

Officer.	Date of the act.	United States Statutes at Large.		
		Volume.	Page.	Amount.
Geo. Eyster, late Assistant Treasurer, Philadelphia.....	June 9, 1880	21	553	\$882.50
F. E. Spinner, late Treasurer United States.....	Aug. 5, 1882	22	260	47,097.65
Treasurer of the United States.....	do	22	261	650.61
Do.....	Aug. 7, 1882	22	313	257.00
Assistant Treasurer United States, New York.....	Mar. 2, 1889	25	911	24,016.43
Geo. W. Bishop, Assistant Treasurer, Baltimore.....	do	25	912	1,243.00
C. N. Felton, late Assistant Treasurer, San Francisco.....	Jan. 8, 1891	26	1333	9,930.00
S. H. Brooks, Assistant Treasurer, San Francisco.....	Mar. 3, 1891	26	867	10,000.00
N. H. Camp, late assayer, Boise, Idaho.....	July 2, 1892	27	285	11,611.03
Ellis H. Roberts, late Assistant Treasurer, New York.....	Jan. 26, 1897	29	778	800.00
D. N. Morgan, Treasurer United States.....	July 19, 1897	30	108	200.00
D. N. Morgan, late Treasurer United States.....	July 7, 1898	30	658	856.00
O. C. Bosbyshell, late superintendent mint, Philadelphia.....	Feb. 2, 1899	30	1510	12,810.82
C. N. Jordan, Assistant Treasurer, New York.....	June 6, 1900	31	283	2,644.75
F. A. Leach, superintendent mint, San Francisco.....	Mar. 3, 1905	33	1219	25,000.00
Wm. Boldenweck, Assistant Treasurer, Chicago.....	Jan. 27, 1910	36, pt. 2	1464	173,000.00
E. M. Curtis, Assistant Treasurer, Boston, Mass.....	May 6, 1910	36, pt. 1	347	3,000.00
T. J. Akins, Assistant Treasurer, St. Louis, Mo.....	June 25, 1910	36, pt. 2	1866	61,500.00
Lee McClung, Treasurer United States.....	Mar. 4, 1911	36, pt. 1	1291	1,000.40
Estate of Philip Felix Herwig, deceased, late Assistant Treasurer United States, New Orleans.....	July 17, 1914	38, pt. 2	1305	20,959.81
For reimbursement for amounts made good by certain employees in the office of the Assistant Treasurer United States, New York:				
Chas. M. Le Furge.....				\$531.24
Cortland P. Bennet.....				126.00
Montgomery Maynard.....				500.00
	June 5, 1920	41, pt. 2	1023	1,157.24

With reference to the item of \$5,027.68, reported as unavailable in my letter of February 25, 1920, which occurred by reason of theft, forgery of payees' names, and raising checks drawn by Capt. Jas. E. Young, Quartermaster Corps, certain attachments were made upon property of Edward Eric Verrill, an officer of the Army, who perpetrated the fraud. The net proceeds of the sale of an automobile so attached, amounting to \$2,351.84, has been deposited and covered into the Treasury as "Fines, penalties, and forfeitures." Certain other attachments have been made upon balances in several banks, totaling approximately \$3,000, standing to the credit of Edward Eric Verrill, which it is anticipated will soon be available for deposit into the Treasury.

With reference to the item of \$1,989.16, reported as unavailable in my letter of February 25, 1920, which occurred through the fraudulent negotiation of checks drawn by disbursing officer Maj. E. A. Coleman, the sum of \$300 has been refunded by the young soldier who perpetrated the fraud, and this amount has been deposited into the Treasury as a "Miscellaneous receipt."

Attention is respectfully invited to the following, which is found on page 3 in Senate Report No. 371, Forty-fourth Congress, first session, which was submitted by Senator Sherman, chairman of the Finance Committee, relative to the question of unavailable moneys in the Treasurer's account:

"All money in the Treasury, wherever it may be deposited or placed for disbursement or custody, is charged to the Treasurer of the United States. It is obvious, however, that this money may be lost without fault on the part of the Treasurer, by robbery, accident, defalcation of a subordinate officer, misconduct of depositaries having it in charge, or otherwise. Still, under the law, the Treasurer is responsible, and is charged with these sums. Such a deficit would, in the accounts of a firm, be a simple plain entry in the profit and loss account by crediting cash and debiting the defaulter. But from the fact before stated that money can not be taken from the Treasury except by an appropriation, this course could not be pursued. An account called "unavailables" was created, which was charged with the amounts, and the Treasurer credited in his general account through the statement of an account by the accounting officers. This method of relieving the Treasurer is, your committee was informed, a practice which has grown up, and is not authorized by law, and for some years past has been prohibited by the Comptroller and has been discontinued. It is plain that the Treasurer should be relieved from this responsibility, and that Congress should in some proper way provide by law for the dropping of these unavailable funds, by authorizing a credit to the Treasurer, and a corresponding charge against the defaulting officer who fails to pay the money on demand."

Losses similar to those above enumerated are not unusual in banking institutions, where the transactions are comparable to those performed in the Treasurer's office. Banking institutions charge such losses in profit and loss account, but since the Treasurer has no such means of securing an adjustment, it is respectfully requested that you recommend for inclusion in an appropriation bill provision similar to that found in the act of March 4, 1911, as follows:

"The proper accounting officers of the Treasury Department are authorized and directed to examine and state an account of the items of unavailable funds, as set forth in House document No. —, Sixty-sixth Congress, second session, and to credit the general account of the Treasurer of the United States with the amount thereof: *Provided*, That the credit herein authorized shall be made in such manner as to debit the individual or depository chargeable therewith upon the books of the Treasury Department: *Provided further*, That upon the recovery or payment of any part of said unavailable funds the same shall be deposited in the Treasury in such manner as to debit the Treasurer of the United States in his general account and to credit the individual or depository charged therewith upon the books of the Treasury Department. (36 Stat., 1291.)"

When it is realized that all financial institutions incur some losses in the handling of their business, I think it can be fairly stated that the amount of losses sustained by the Treasurer of the United States is very small in comparison with the enormous amount of business transacted.

Very truly, yours,

JOHN BURKE,
Treasurer of the United States.

TREASURY DEPARTMENT,
OFFICE OF TREASURER OF THE UNITED STATES,
Washington, January 10, 1921.

Hon. GEORGE W. EDMONDS,
Chairman of the Committee on Claims.

MY DEAR MR. EDMONDS: There is accompanying bills which I have drawn a full and complete detail statement of how the losses from which the Treasurer is asking to be relieved in said bills occurred, and I hope that you will not think that I am trespassing upon your time by addressing to you this personal letter.

The Treasurer is the disbursing officer of the Government, and every claim against the Government that is paid is paid and cleared in the Treasurer's office. Every check issued by disbursing officers, of which there are over 6,000, every check issued by the War Risk Bureau, the Shipping Board, and in fact every obligation of any and every kind is not paid until it is settled and paid in the office of the Treasurer of the United States. The money of the country is an endless chain coming in and going out of the Treasurer's office. The coupons from Liberty bonds, the war savings stamps, and certificates come to the Securities Division of the Treasurer's office by the wagonload, and while there are at least a thousand people in the Treasurer's office handling money and securities the Treasurer is the only person under bond, and he is liable for every employee in his office.

The war more than doubled the work in the office, and Congressmen going through the office at that time said they did not see how we could keep track of the securities on account of the congestion. The corridors in the office were partitioned, and on each side were a row of desks loaded down with coupons, certificates, and war savings stamps and other Government securities. The disbursing officers' checks from the various war activities poured in until we were clearing 150,000 checks a day, and in order to make room for the employees in the Accounting Division it was necessary to remove one division of it out of the building into one of the temporary war buildings, and checks and warrants had to be carted backward and forward day by day.

The money circulation increased until there was approximately \$60 per capita in circulation. This great increase in circulation was in the Federal reserve notes and Federal reserve bank notes, all of which came to the National Bank Redemption Agency, and at a time when we had only the same force that we had when only national bank notes were being redeemed. It was necessary to store the money which we could not count for redemption in the big silver vaults in the subbasement. When Congress gave us relief by providing for additional employees, the only place we had in the Treasury for them to work was in the subbasement, where there are great pillars, and while we asked for roll-top desks for the protection of the money counters as yet they have not been furnished. It was under these conditions that we sustained losses in the National Bank Redemption Agency. One package of \$5,000 was stolen from a

girl's desk at lunch hour, and it was discovered and reported to the Secret Service a half hour later. Later on a package of \$7,400 was stolen, which was also reported to the Secret Service, but thus far no headway has been made in either case so far as I am informed. At the time the other losses were reported to Congress I was under the impression from reports from the National Bank Agency that it was the custom to charge such losses to the national banks. That had been the custom and it had been charged as an expense. The law provides that the national banks shall pay the expenses of the National Bank Redemption Agency. On investigation, however, I found that there was no authority for charging the national banks with a theft, for a theft is not a legitimate expense, and therefore it could not be charged to the banks. The losses would not amount to more than \$2 apiece to the banks, but if you could charge them with \$2 you could charge them with a million or any sum, and, of course, it is quite clear that a theft is not a legitimate expense, and there is no question but what there was a theft in each case.

The money piled up on us in the Redemption Division so that it was necessary to store it in the sub-basement and the loss of \$1,000 occurred during the storing. The money was placed in locked boxes run down into the sub-basement and placed in the silver vaults, the assistant superintendent in charge.

During the war all of our young men between the ages of 21 and 31 were obliged to enlist and leave our service, and it was necessary to fill their places with what we could get. The employees were all under civil service and protected by the civil-service regulation and the law. The Treasurer can not discharge anyone on suspicion although he can transfer him around, and that is what we have done in quite a few cases. We have also put in every possible security to safeguard the public funds and securities. In the National Bank Redemption Agency we are now canceling the money before we count it. It makes it more difficult to count, but the counters soon got used to it, and that makes it practically safe from theft in the future.

When you come to consider that we had to count, sort, place in numerical sequence 150,000 checks a day and compare the signature on each with the signature of the disbursing officers which we have on file and realize that since I have been Treasurer of the United States we have cleared and paid over \$262,000,000,000 in the Accounting Division, you will then realize that the loss on account of forgery and raised checks is a mere nothing, and especially in the light of the well-known facts that during the war was the harvest time for sharps and crooks and forgers. The banks of the country lost millions and our employees detected and reclaimed on all but a few which are enumerated in the statement of facts accompanying bill.

In one case the Chase National Bank paid a check which was raised \$19,000, the Guaranty Trust Co. of New York paid a check that had been raised \$5,000, another check was raised \$8,000, and another \$7,000, and we reclaimed on all of them except one on the Guaranty Trust Co., against which I think we have a good case, but we recovered by attaching the property of the forger, I think enough to pay the entire claim against the Guaranty Trust Co.

There is a strange coincidence in the loss of the bonds enumerated in said statement. The People's National Bank, Hillsboro, Ill., directed the reserve bank at St. Louis to forward to the Treasurer of the United States five \$1,000 bonds for postal-savings security. Instead of sending them to the Treasurer of the United States, they sent them to the Secretary of the Treasury. About 8 or 10 days later we got a letter from the People's National Bank inquiring about them. We looked them up and found no record of them. We then had the Secretary's office investigated and found on their receipt book the name of a lady employee in my office as having receipted for the package said to contain the bonds. She recognized her signature when it was shown to her, but she did not recall signing her name. A colored messenger in the Secretary's office said he brought them down at 4.30 in the evening. It was at Christmas time, and at 4.30 in the evening everyone was going home. In the other case the Fairmount National Bank sent the bonds to the office of the Treasurer, United States, when they should have been addressed to the Secretary's office to be exchanged for registered bonds. Coming to the Treasurer's office, the package was opened and upon discovering that it contained bonds, they were sent by messenger to the chief clerk of the Treasurer's office. A record of them was made and they were given to a messenger to take to the Loans and Currency Division of the Secretary's office. They never got there. These are the only losses we have had of bonds and one package was sent to the Treasurer's office when it should have been sent to the Secretary's and the other to the Secretary's office when it should have been sent to the Treasurer's. In either case there would have been no loss if packages had been sent to the proper office. It looks as though the bonds were stolen by some one in the Treasury Department in each case and some one familiar with both offices.

The Treasurer's office is in better shape to-day than it has ever been, and it is hedged about with greater securities for the protection of money and Government obligations. A change in the methods in 1914 reduced the number of employees in the Accounting Division by 114; in 1920 there was an increase of 25 per cent in the work in the Accounting Division, and we did it with 100 less employees. There was also 25 per cent increase in the work in the Securities Division and we did it with 59 employees less.

Congress has always relieved the Treasurer from losses occurring without his fault, many times larger losses than occurring during my administration and under nothing like the difficulties under which we labored or the tremendous amount of work which the war brought us and if Congress is going to relieve the Treasurer, as it undoubtedly will, it seems to me that this is one case where it might be done simply as a formal matter.

Hoping for a favorable action on the part of Congress, I am

Very sincerely, yours,

JOHN BURKE.

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